

# STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL & GAS

SEAN PARNELL, GOVERNOR

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**CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

April 28, 2010

Mr. David W. Brown  
Alaska Land Manager  
ConocoPhillips  
700 G Street  
Anchorage, AK

Re: Request for Delay of Contraction of the Colville River Unit

Dear Mr. Brown:

In a March 31, 2010 letter, ConocoPhillips Alaska, Inc. (ConocoPhillips), as Unit Operator on behalf of the Colville River Unit (CRU) Working Interest Owners, requested that the Commissioner of the State of Alaska, Department of Natural Resources, Division of Oil and Gas, (State) and the President of the Arctic Slope Regional Corporation (ASRC) delay the contraction of lands (Request) described in Exhibit A (Attachment 1) (Delay Area) and depicted in green in Exhibit B (Attachment 2) under the provisions of 11 AAC 83.356(b) and Section 12.4 of the Colville River Unit Agreement (CRUA). The Delay Area includes approximately 18,049 acres, comprised of all or portions of five State leases and nine State/ASRC (Joint) leases that lie along the eastern boundary of the CRU. The five State leases comprise approximately 5,160 acres and the Joint leases comprise approximately 12,889 acres.

Under Section 12.4 of the CRUA, the Commissioner and President may elect to contract the CRU, but not sooner than ten years from commencement of sustained production from the initial participating area--November 15, 2010. Under Section 12.2 of the CRUA, the Delay Area is due to contract on the tenth anniversary of the approval of the initial participating area--May 1, 2010. This Section does not contain a provision to delay this mandatory contraction. Under 11 AAC 83.356(b), the Delay Area is due to contract 10 years from the date of sustained unit production--November 15, 2010. This regulation subsection does contain a provision allowing the Commissioner to delay this mandatory contraction.

Because there is no one Section in the CRUA or one subsection in 11 AAC 83.356 that squarely fits ConocoPhillips' Request, I am treating the Request as a request to delay, under 11 AAC 83.356(b), the mandatory contraction of the Delay Area required under Section 12.2 of the CRUA. I believe that I have the authority to delay this mandatory contraction because, under

Section 16.1 of the CRUA, the agreement is subject to all valid State regulations in effect on the effective date of the CRUA, including the contraction delay provision set out in 11 AAC 83.356(b).

I have considered the public and confidential data submitted with the Request, the plan of development for the Delay Area, and the provisions of 11 AAC 83.303, and approve the delay of the contraction effective April 30, 2010, subject to the following conditions:

1. no later than January 1, 2011, ConocoPhillips shall commence to drill a well in the Delay Area to test the Alpine sands;
2. certain leases in the Delay Area will be segregated effective April 30, 2010, as described in Attachment 3;
3. if no well is drilled by January 1, 2011, all of the Delay Area will contract from the CRU under Section 12.2 of the CRUA;
4. if the well is commenced by January 1, 2011, any of the Delay Area not within a participating area will contract from the CRU on February 15, 2014 under Section 12.2 of the CRUA; and
5. ConocoPhillips shall provide a detailed progress report on all seismic operations conducted in the CRUA at the December 2010, CRUA Subsection 3.9.8 meeting.

**A. Decision Criteria considered under 11 AAC 83.303(b)**

**1. The Environmental Costs and Benefits**

The approval of the Request has no environmental impact because the Commissioner's approval is an administrative action. Delay of the contraction will not produce any more environmental costs than the initial unit formation approval produced. Additional environmental benefits may occur because the Delay Area leases could be drilled from existing drill sites and production processed at existing CRU/Alpine participating area (PA) facilities.

**2. Geologic and Engineering Characteristics and Prior Exploration and Development Activities**

The Division has previously considered the geologic and engineering characteristics and development activities in its approvals of the CRU and the existing CRU PAs.

**3. Plans of Exploration and Development**

ConocoPhillips is currently completing the Alpine 3D/4D seismic program. The seismic survey covers the majority of the Delay Area except the area already covered by previous surveys. The new seismic will improve the initial Colville 3D seismic, obtained in 1996, by improving the resolution and consequently increasing the geologic understanding of the Alpine sands. In addition, this

seismic will provide 4D insights on fluid saturation and pressure changes over time, enabling ConocoPhillips to identify infill drilling opportunities. ConocoPhillips anticipates completion of processing and analysis of the new seismic during 2011.

ConocoPhillips submitted confidential data in support of the Request, which demonstrates that the Delay Area Alpine C sands are not isolated from the Alpine Reservoir underlying the existing Alpine PA. The plan of development for the Delay Area includes drilling a well on or before January 1, 2011. The Delay Area may be drilled from existing drillsites. With the data obtained from the first well, combined with the new seismic, ConocoPhillips will be able to identify additional drilling prospects in the Delay Area. The Division will continue to have the opportunity to review and approve annual plans of development for the Delay Area.

#### **4. The Economic Costs and Benefits to the State and Other Relevant Factors**

Conducting exploration and development of the Delay Area under a unit plan of development will maximize recovery of hydrocarbons because the area will be developed as a single accumulation rather than on a lease-by-lease basis and will maximize revenue to the State and ASRC. Additional subsurface data obtained by operations will allow for identification of further development opportunities and ConocoPhillips will share the data with the State and ASRC. Approval of the Request will provide near-term economic benefits to the State by creating jobs associated with the continued exploration and development of the hydrocarbons within the Delay Area.

The State proposed to segregate certain leases in the Delay Area, as set out in Attachment 3, which describes the new leases created by the segregation. The lease segregations benefit the State because upon contraction any lease no portion of which is committed to a participating area will contract in its entirety from the unit. Under Section 12.2 of the CRUA and 11 AAC 83.356(b), if at the time of contraction any portion of a lease is included in a PA, the portion of the lease outside the PA will neither be severed nor will it continue to be subject to the terms and conditions of the unit. But it will continue so long as production is allocated to the unitized portion of the lease and the lessee satisfies the term and conditions of the lease. Without these segregations, a portion of a lease included in a PA at the time of any future contraction could extend an entire existing lease. If ConocoPhillips does not drill a well in the Delay Area by January 1, 2011 then the Delay Area leases will contract from the unit. The contracted area would include, for example, new Tract No. 11A, ADL 391577, which would be maintained under Article 14 of the CRUA. Similarly, if ConocoPhillips drills a well by January 1, 2011, any Delay Area leases not within a PA will contract from the CRU on February 15, 2014.

ConocoPhillips requested to delay the contraction until August 1, 2014. Upon further discussion, the Division proposed that date be revised to February 15, 2014, which is the data cut-off deadline for the 2014 Alpine PA redetermination. ConocoPhillips agreed to the proposal. Any of the leases in the Delay Area that may be proposed to be included in the Alpine or other CRU PAs under Sections 9.4 or 9.5 of the CRUA must have been drilled and evaluated prior to the contraction date of February 15, 2014. This will allow for an efficient process to determine which Delay Area leases will contract.

**B. Decision Criteria Considered Under 11 AAC 83.303(a)****1. Promote the Conservation of All Natural Resources**

The Division considered the promotion of the conservation of all natural resources during the approval of the CRU and the CRU participating areas. The approval of the contraction delay provides for the continued integrated exploration and development of the Delay Area, minimizing additional environmental impacts by using existing production facilities. All production from the CRU is processed at the Alpine PA facility. The Delay Area will be drilled from existing drill sites. Continued exploration and development carried out under the CRUA minimizes impacts to the area's cultural, biological, subsistence and environmental resources.

**2. The Prevention of Economic and Physical Waste**

Exploration and development of multiple leases under an approved plan of development and unit agreement prevents economic and physical waste by committing diverse ownership interests to an integrated plan of recovery and depletion for a single hydrocarbon accumulation.

**3. The Protection of All Parties of Interest, Including the State and ASRC**

Maximizing recovery of hydrocarbons from the Delay Area protects the State's and ASRC's interests. Continuing to include the Delay Area in the CRU with the drilling commitment and lease segregations protects all parties.

A person affected by this decision may appeal it, in accordance with 11 AAC 02. This decision takes effect immediately. Any appeal must be received within 20 calendar days after the date of "issuance" of this decision, as defined in 11 AAC 02.040 (c) and (d), and may be mailed or delivered to Tom Irwin, Commissioner, DNR, 550 W. 7<sup>th</sup> Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918, or sent by electronic mail to [dnr.appeals@alaska.gov](mailto:dnr.appeals@alaska.gov). An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

Sincerely,



Kevin R. Banks  
Director

Cc: Distribution List, with Attachments

Distribution List

Jeff Landry, DOL  
Dora Soria, ConocoPhillips  
ASRC, Teresa Imm  
BLM, Greg Noble

Attachments:

1. Exhibit A List of Lands within the Delay Area
2. Exhibit B Colville River Unit Delay Area
3. List of Lease Segregations for the Delay Area

**Attachment 1: Exhibit A List of Lands within the Delay Area**

# Exhibit A

Attached to and made a part  
of the Request for the Delay of the Colville River Unit Contraction

## List of Lands Within the Delay Area

Tract	ADL No./	Legal	Acres	Original Royalty (%)	Royalty Owners	Mineral Ownership (%)
No.	Tobin No.	Description*				
11	372107	T12N,R5E-U.M.		12.5	State	100
	932006	Sec. 15, W1/2, SE1/4, SW1/4NE1/4	520.00			
		Sec. 16, All	640.00			
		Sec. 21, NE1/4, N1/2NW1/4, SE1/4NW1/4, N1/2SE1/4, SE1/4SE1/4	400.00			
		Sec. 22, All	640.00			
		TOTAL	2,200.00			
12	372106	T12N,R5E-U.M.		12.5	State	100
	932004	Sec. 13, E1/2, E1/2SW1/4	400.00			
		Sec. 14, SW1/4SW1/4	40.00			
		Sec. 23, All	640.00			
		TOTAL	1,080.00			
13	384214	T12N,R5E-U.M.		16.667	State	50
	932082	Sec. 24, All	640.00		ASRC	50
		TOTAL	640.00			
30	25557	T12N-R5E,U.M.		12.5	State	100
	932106	Sec. 27, NE1/4, N1/2NW1/4, SE1/4NW1/4, N1/2SE1/4, SE1/4SE1/4	400.00			
		Sec. 34, NE1/4NE1/4	40.00			
		TOTAL	440.00			
31	372108	T12N,R5E-U.M.		12.5	State	100
	932008	Sec. 26, All	640.00			
		TOTAL	640.00			
32	384214	T12N,R5E-U.M.		16.667	State	59.71
	932082	Sec. 25, All	640.00		ASRC	40.29
		TOTAL	640.00			

# Exhibit A

Attached to and made a part  
of the Request for the Delay of the Colville River Unit Contraction

## List of Lands Within the Delay Area

Tract No.	ADL No./ Tobin No.	Legal Description*	Acres	Original Royalty (%)	Royalty Owners	Mineral Ownership (%)
33	384214	T12N,R5E-U.M.		16.667	State	58.42
	932082	Sec. 36, All	640.00		ASRC	41.58
		TOTAL	640.00			
34	372108	T12N,R5E-U.M.		12.5	State	100
	932008	Sec. 35, N1/2, SE1/4, E1/2SW1/4	560.00			
		TOTAL	560.00			
46	25560	T11N,R5E-U.M.		12.5	State	100
	932108	Sec. 2, NE1/4, E1/2SE1/4	240.00			
		TOTAL	240.00			
47	25560	T11N,R5E-U.M.		12.5	State	63.69
	932108	Sec. 1, All	640.00		ASRC	36.31
		TOTAL	640.00			
48	25560	T11N,R5E-U.M.		12.5	State	82.78
	932108	Sec. 12, All	640.00		ASRC	17.22
		TOTAL	640.00			
49	25560	T11N,R5E-U.M.		12.5	State	57.68
	932108	Sec. 11, SE1/4, E1/2NE1/4, SE1/4SW1/4	280.00		ASRC	42.32
		TOTAL	280.00			
63	384210	T11N,R5E,U.M.		16.667	State	50.01
	932078	Sec. 15, SE1/4, S1/2NE1/4, S1/2SW1/4, NE1/4SW1/4	360.00		ASRC	49.99
		TOTAL	360.00			
64	384210	T11N,R5E,U.M.		16.667	State	62.79
	932078	Sec. 14, All	640.00		ASRC	37.21
		TOTAL	640.00			



# Exhibit A

Attached to and made a part  
of the Request for the Delay of the Colville River Unit Contraction

## List of Lands Within the Delay Area

Tract No.	ADL No./ Tobin No.	Legal Description*	Acres	Original Royalty (%)	Royalty Owners	Mineral Ownership (%)
65	380078	T11N,R5E-U.M.		16.667	State	77.48
	932038	Sec. 13, All	640.00		ASRC	22.52
		TOTAL	640.00			
66	380078	T11N,R5E-U.M.		16.667	State	66.11
	932038	Sec. 24, All	640.00		ASRC	33.89
		TOTAL	640.00			
67	380078	T11N,R5E-U.M.		16.667	State	68.35
	932038	Sec. 23, All	640.00		ASRC	31.65
		TOTAL	640.00			
68	380079	T11N-R5E,U.M.		16.667	State	57.26
	932040	Sec. 22, All	640.00		ASRC	42.74
		TOTAL	640.00			
69	384211	T11N,R5E-U.M.		16.667	State	50
	932080	Sec. 21, SE1/4, SE1/4NE1/4, SE1/4SW1/4	240.00		ASRC	50
		TOTAL	240.00			
118	380081	T11N,R5E-U.M.		16.667	State	67.61000
	932044	Sec. 27, Unsurveyed, All	640.00		ASRC	32.39000
		TOTAL	640.00			
119	380081	T11N,R5E-U.M.		16.667	State	50.06000
	932044	Sec. 28, Unsurveyed, All	640.00		ASRC	49.94000
		TOTAL	640.00			
124	388903	T11N,R5E-U.M.		16.667	State	50.00000
	932353	Sec. 31, Unsurveyed, S1/2SE1/4	80.00		ASRC	50.00000
		Sec. 32, Unsurveyed, S1/2, S1/2NE1/4, NE1/4NE1/4	440.00			
		TOTAL	520.00			

# Exhibit A

Attached to and made a part  
of the Request for the Delay of the Colville River Unit Contraction


## List of Lands Within the Delay Area

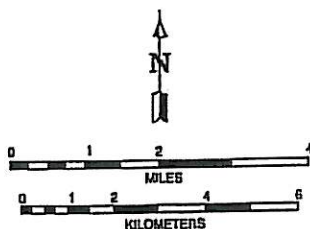
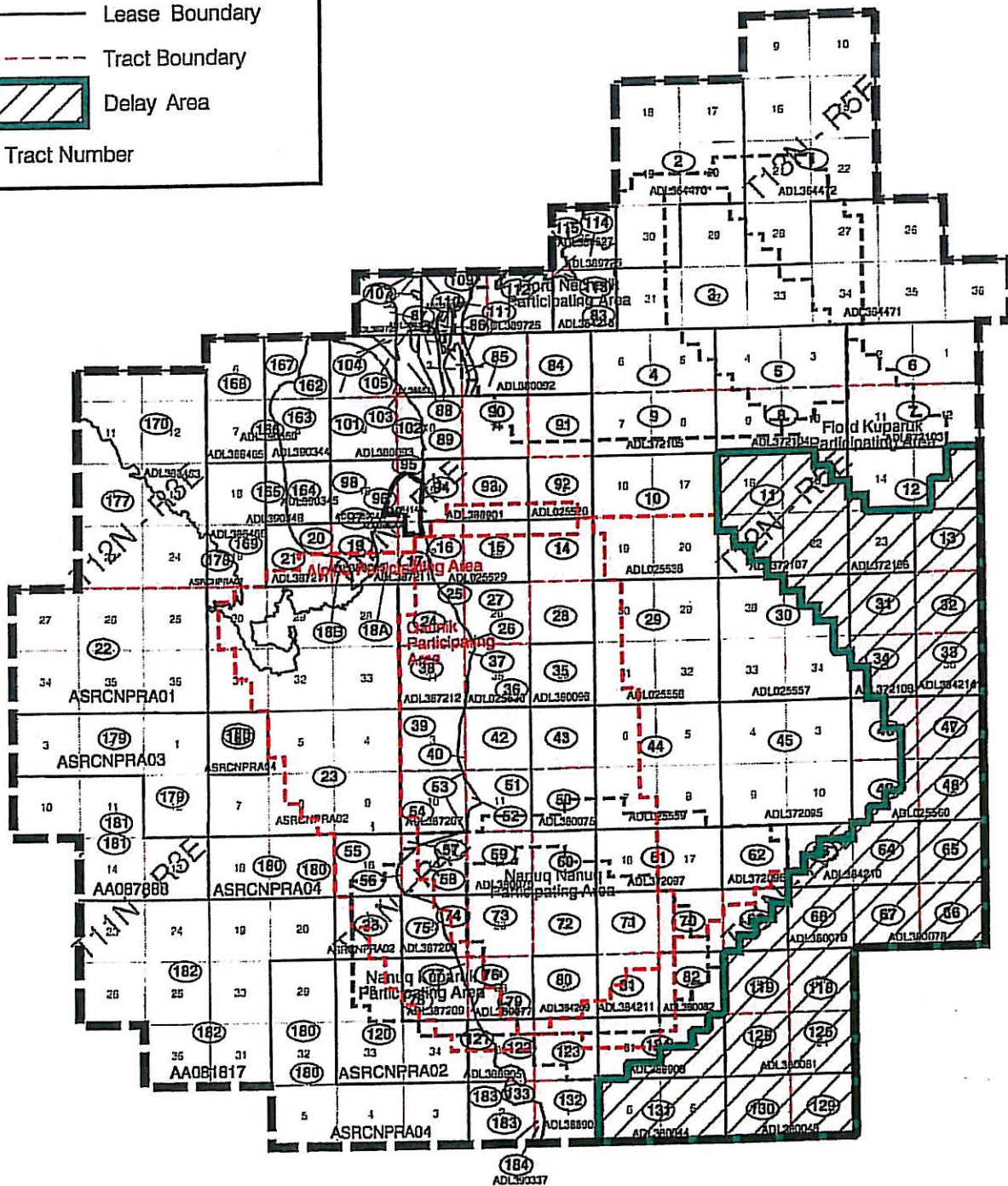
Tract No.	ADL No./ Tobin No.	Legal Description*	Acres	Original Royalty (%)	Royalty Owners	Mineral Ownership (%)
125	380081	T11N,R5E-U.M.		16.667	State	50.20000
	932044	Sec. 33, Unsurveyed, All	640.00		ASRC	49.80000
		TOTAL	640.00			
126	380081	T11N,R5E-U.M.		16.667	State	85.66000
	932044	Sec. 34, Unsurveyed, All	640.00		ASRC	14.34000
		TOTAL	640.00			
129	380043	T10N,R5E-U.M.		16.667	State	80.75000
	932013	Sec. 3, Unsurveyed, All	640.00		ASRC	19.25000
		TOTAL	640.00			
130	380043	T10N,R5E-U.M.		16.667	State	50.00000
	932013	Sec. 4, Unsurveyed, All	640.00		ASRC	50.00000
		TOTAL	640.00			
131	380044	T10N,R5E-U.M.		16.667	State	50.00000
	932015	Sec. 5, Unsurveyed, All	640.00		ASRC	50.00000
		Sec. 6, Unsurveyed, All	609.00			
		TOTAL	1,249.00			
GRAND TOTAL			18,049.00			

\* This Exhibit A describes the tracts or portions of tracts within the Delay Area that are located outside the Alpine or Nanuq Kuparuk Participating Areas ("PAs") on the date of this request, however this Exhibit A also intends to cover and include any and all lands within such tracts that hereinafter and through August 1, 2014, become lands not covered by the PAs.

KEY: State: State of Alaska  
ASRC: Arctic Slope Regional Corporation

**Attachment 2: Exhibit B Colville River Unit Delay Area**

- Unit Boundary
- Lease Boundary
- - - Tract Boundary
-  Delay Area
- ① Tract Number



**ConocoPhillips**  
Alaska, Inc.

**Exhibit B**  
**Colville River Unit**  
**Delay Area**

3-9-10

10030901B00

**Attachment 3: List of Lease Segregations for the Delay Area**

**Colville River Unit East Side Delay of Contraction**  
**List of Lease Segregations Yellow Highlight denotes New ADL**

Tract No.	ADL No.	Legal Description*	Acres	Original Royalty (%)	Royalty Owners	Mineral Ownership (%)
11A	391577	T12N,R5E-U.M.		12.5	State	100
		Sec. 15, W1/2, SE1/4, SW1/4NE1/4	520.00			
		Sec. 16, All	640.00			
		TOTAL	1,160.00			
11	372107	T12N,R5E-U.M.		12.5	State	100
		Sec. 21, NE1/4, N1/2NW1/4, SE1/4NW1/4, N1/2SE1/4, SE1/4SE1/4	400.00			
		Sec. 22, All	640.00			
		TOTAL	1,040.00			
12	372106	T12N,R5E-U.M.		12.5	State	100
		Sec. 13, E1/2, E1/2SW1/4	400.00			
		Sec. 14, SW1/4SW1/4	40.00			
		Sec. 23, All	640.00			
		TOTAL	1,080.00			
13	384214	T12N,R5E-U.M.		16.667	State	50
		Sec. 24, All	640.00		ASRC	50
		TOTAL	640.00			
30	25557	T12N-R5E,U.M.		12.5	State	100
		Sec. 27, NE1/4, N1/2NW1/4, SE1/4NW1/4, N1/2SE1/4, SE1/4SE1/4	400.00			
		Sec. 34, NE1/4NE1/4	40.00			
		TOTAL	440.00			
31	372108	T12N,R5E-U.M.		12.5	State	100
		Sec. 26, All	640.00			
		TOTAL	640.00			
32	391578	T12N,R5E-U.M.		16.667	State	59.71
		Sec. 25, All	640.00		ASRC	40.29
		TOTAL	640.00			



**Colville River Unit East Side Delay of Contraction**  
**List of Lease Segregations Yellow Highlight denotes New ADL**

Tract No.	ADL No.	Legal Description*	Acres	Original Royalty (%)	Royalty Owners	Mineral Ownership (%)
33	391579	T12N,R5E-U.M.		16.667	State	58.42
		Sec. 36, All	640.00		ASRC	41.58
		TOTAL	640.00			
34	391580	T12N,R5E-U.M.		12.5	State	100
		Sec. 35, N1/2, SE1/4, E1/2SW1/4	560.00			
		TOTAL	560.00			
46	25560	T11N,R5E-U.M.		12.5	State	100
		Sec. 2, NE1/4, E1/2SE1/4	240.00			
		TOTAL	240.00			
47	391581	T11N,R5E-U.M.		12.5	State	63.69
		Sec. 1, All	640.00		ASRC	36.31
		TOTAL	640.00			
48	25560	T11N,R5E-U.M.		12.5	State	82.78
		Sec. 12, All	640.00		ASRC	17.22
		TOTAL	640.00			
49	391582	T11N,R5E-U.M.		12.5	State	57.68
		Sec. 11, SE1/4, E1/2NE1/4, SE1/4SW1/4	280.00		ASRC	42.32
		TOTAL	280.00			
63	384210	T11N,R5E,U.M.		16.667	State	50.01
		Sec. 15, SE1/4, S1/2NE1/4, S1/2SW1/4, NE1/4SW1/4	360.00		ASRC	49.99
		TOTAL	360.00			
64	391583	T11N,R5E,U.M.		16.667	State	62.79
		Sec. 14, All	640.00		ASRC	37.21
		TOTAL	640.00			

**Colville River Unit East Side Delay of Contraction**  
**List of Lease Segregations Yellow Highlight denotes New ADL**

Tract No.	ADL No.	Legal Description*	Acres	Original Royalty (%)	Royalty Owners	Mineral Ownership (%)
65	391584	T11N,R5E-U.M.		16.667	State	77.48
		Sec. 13, All	640.00		ASRC	22.52
		TOTAL	640.00			
66	391585	T11N,R5E-U.M.		16.667	State	66.11
		Sec. 24, All	640.00		ASRC	33.89
		TOTAL	640.00			
67	380078	T11N,R5E-U.M.		16.667	State	68.35
		Sec. 23, All	640.00		ASRC	31.65
		TOTAL	640.00			
68	380079	T11N-R5E,U.M.		16.667	State	57.26
		Sec. 22, All	640.00		ASRC	42.74
		TOTAL	640.00			
69	384211	T11N,R5E-U.M.		16.667	State	50
		Sec. 21, SE1/4, SE1/4NE1/4, SE1/4SW1/4	240.00		ASRC	50
		TOTAL	240.00			
118	391586	T11N,R5E-U.M.		16.667	State	67.61000
		Sec. 27, Unsurveyed, All	640.00		ASRC	32.39000
		TOTAL	640.00			
119	380081	T11N,R5E-U.M.		16.667	State	50.06000
		Sec. 28, Unsurveyed, All	640.00		ASRC	49.94000
		TOTAL	640.00			
124	388903	T11N,R5E-U.M.		16.667	State	50.00000
		Sec. 31, Unsurveyed, S1/2SE1/4	80.00		ASRC	50.00000
		Sec. 32, Unsurveyed, S1/2, S1/2NE1/4, NE1/4NE1/4	440.00			
		TOTAL	520.00			



**Colville River Unit East Side Delay of Contraction**  
**List of Lease Segregations Yellow Highlight denotes New ADL**

Tract No.	ADL No.	Legal Description*	Acres	Original Royalty (%)	Royalty Owners	Mineral Ownership (%)
125	391587	T11N,R5E-U.M.		16.667	State	50.20000
		Sec. 33, Unsurveyed, All	640.00		ASRC	49.80000
		TOTAL	640.00			
126	391588	T11N,R5E-U.M.		16.667	State	85.66000
		Sec. 34, Unsurveyed, All	640.00		ASRC	14.34000
		TOTAL	640.00			
129	391589	T10N,R5E-U.M.		16.667	State	80.75000
		Sec. 3, Unsurveyed, All	640.00		ASRC	19.25000
		TOTAL	640.00			
130	380043	T10N,R5E-U.M.		16.667	State	50.00000
		Sec. 4, Unsurveyed, All	640.00		ASRC	50.00000
		TOTAL	640.00			
131A	391590	T10N,R5E-U.M.		16.667	State	50.00000
		Sec. 5, Unsurveyed, All	640.00		ASRC	50.00000
		TOTAL	640.00			
131	380044	T10N,R5E-U.M.		16.667	State	50.00000
		Sec. 6, Unsurveyed, All	609.00			
		TOTAL	609.00			
GRAND TOTAL			18,049.00			

**KEY:**                      State: State of Alaska  
ASRC: Arctic Slope Regional Corporation